

Abatement of Revenue

When part or all of the revenue of a local educational agency (LEA) must be returned to the source from which it was received, the transaction shall be accounted for as an *abatement of revenue*, or the cancellation of a part or the whole of a specific receipt previously recorded. Such cancellations of previously recorded receipts usually result from tax refunds, refunds of money received from state or federal sources, or refunds of moneys previously received in error. Note that the distribution to others of moneys received on their behalf is not a return of revenue to the source from which it was received, so that amount is not recorded as an abatement of revenue.

In accounting, netting revenues and expenditures is generally avoided. Revenues and expenditures should both be reported in their entirety. It is only appropriate to abate a revenue account if revenue would be incorrectly stated otherwise. Accounting for such transactions in the manner described keeps both revenue and expenditures in true perspective.

Accounting Instructions for Abatements of Revenue

When a transaction occurs that represents a cancellation or a reduction of revenue receipts, it must be accounted for as an abatement of revenue by debiting revenue. The revenue account debited is the same account that was credited when the original revenue was received. The current-year revenue account is debited even if the original revenue was received in a prior fiscal year.

For instructions on accounting for the distribution to others of moneys received on their behalf, refer to Procedure 601, Accounting for Cooperative Projects and Pass-Through Grants.

Relationship of Abatements of Revenue to Revenue Control

Because payments that constitute abatements of revenue are not expenditures, they are not subject to appropriation control. However, any abatement of revenue that constitutes a major reduction of revenue compared with estimated revenue should be recognized as requiring a corresponding reduction in estimated revenue and the fund balance.

Transactions Allowable as Abatements of Revenue

The following are examples of transactions that should be accounted for as abatements of revenue:

1. Tax refunds
2. Rental refunds
3. Tuition refunds
 - a. To students, parents, or guardians
 - b. To other LEAs because of overpayments
4. Refunds of revenue from federal sources
5. Refunds of revenue from state sources
6. Refunds of other moneys received in error
7. Direct expenditures (e.g., consultant-broker fees and the like) made in conjunction with real estate sales. Such transactions may be abated to sale proceeds. Usually, such abatement occurs in escrow, and only net proceeds are recorded as revenue.